

Acquisition Reform Week III

Facilitator Guide

*Leading and Embracing Change:
Institutionalizing and Accelerating Acquisition Reform*

Acquisition Reform Week III is set aside to weigh the progress and future of acquisition reform--both as it affects our Department of Defense community and as it affects our suppliers in the defense industry.

*Our theme is
Leading and Embracing Change:
Institutionalizing and Accelerating
Acquisition Reform.*

"During Acquisition Reform Week III, I would like the entire Government-Industry team to cease their normal operations and focus on our acquisition reform initiatives--those most critical to the effectiveness of their team, to share implementation successes, and to determine how best they can be applied to the team's mission"



*The Honorable Jacques S. Gansler
Under Secretary of Defense
Acquisition and Technology*

Overview

Building on the success of the past two acquisition reform days, the Department of Defense has designated May 4 through 8, 1998 as Acquisition Reform Week III. The primary focus of Acquisition Reform Week III is to take time out from normal activities to weigh the future of acquisition reform, both as it affects the Department of Defense as well as the defense industry suppliers. The theme is "Leading and Embracing Change: Institutionalizing and Accelerating Acquisition Reform".

The materials in this Acquisition Reform Week III package should be used to support activities in the following broad subject areas:

- ▼ Aggressively pursue and fully implement the acquisition reform initiatives under taken in the past few years. In spite of significant efforts and measurable gains much remains to be done. These initiatives must continue to be spread and institutionalized. A cultural change of this magnitude takes time and sustained effort.
- ▼ Expand civil-military integration. A greatly expanded partnership with commercial industry is critical to gaining technically advanced products in much shorter cycle times. This must be a dynamic and vigorous engagement, which creates common applications and promotes production of defense unique items on the same lines as high volume commercial items.
- ▼ Reengineer the Department of Defense logistics support system. The modernization of defense forces has been delayed for almost ten years with procurement spending dropping by more than 70%. That must be corrected without substantial increases in the overall Defense budget. It can be done by reducing support and support infrastructure costs to make more funds available for development and deployment of new systems.
- ▼ Train and educate the defense acquisition workforce to meet demands of the reengineering efforts. Success of acquisition reform depends on the workforce understanding what is to be done and comprehending the benefits of doing it better.

Package Contents

This Acquisition Reform Week III support package contains a broad range of materials as outlined below:

AR Week Seminars

Contains support materials for eight lecture/seminars on a variety of topics.

Total Ownership Cost Simulation

Support for a group problem solving simulation related to total ownership cost.

DARTS Self-paced training modules

The DARTS are a series of self-paced training sessions based on changes to the Federal Acquisition Regulation (FAR) and other initiatives resulting from the Clinger - Cohen Act. You can access DARTS via the main menu on the CD-ROM.

All of the instructions and materials you need to conduct the eight seminars or the Total Ownership Cost Simulation are included on the CD-ROM found in the plastic packet with this facilitator guide. You will need to print the appropriate materials from your local printer. In the plastic packet with the Acquisition Reform Week III materials you will find the simulation board and pieces.

Videos

Twelve broadcast videos that are a summary of training programs conducted via satellite broadcast and designed for all acquisition workforce personnel.

Bonus CDs:

Two additional CD-ROMs have been included in your package:

▼ *Open Systems Joint Task Force Tutorial*

A self-paced, in-depth tutorial on the Open Systems approach.

▼ *SPEC Write*

Automated desk aid for preparing performance specifications. "How to" sections include; Developing new specifications, converting detailed specifications, market research, and development guidance.

Installing the CD-ROM

Windows 95

1. Place the CD-ROM, label side up, in your CD-ROM drive
2. Open **Windows Explorer**
3. Select the CD drive root directory
4. Double click on "**ARWklll.exe**"

Windows 3.1

1. Insert the CD-ROM disk
2. Open **Program Manager**
3. Pull down the **FILE** menu and select **RUN**
4. Type "(your cd-drive): **ARWklll.exe**" and click **OK**

Note: If your operating system is Windows 95, you may select **RUN** from the **START** button on your screen.

Printing Materials:

If your operating system is Windows 95 and you have Microsoft Word loaded onto your computer, you can directly print the materials from the CD. However, if you do not have MS Word, we have provided Microsoft Wordviewer on the ARWklll CD. You will need to install this software (approx. 3,500kb) onto your hard drive **first** before printing any documents. Once you have installed Wordviewer you can then restart the AR Week CD to access the appropriate materials.

Installing Wordviewer:

Locate files on the ARWklll CD via Windows Explorer

Double click the Wordviewer icon (Win 95:wd97wvr32.exe or Win 3.1:wdvw9716.exe)

Follow installation instructions

Microsoft Wordviewer allows you only to view and print Microsoft Word documents; it does not allow you to save or edit these documents.

CONTACT

For general information about the CD please contact 1-888-747-ARCC

For technical support on the CD-ROM, contact Staci Crawford at scrawfrd@brtrc.com

AR Week Seminar Support Materials

Materials to support eight seminars have been included in your Acquisition Reform Week III package to aid you in creating your own acquisition reform week activities. Detailed instructions for their use are included on the CD-ROM. A brief description of each follows:

1 Commercial Business Practices

A key requirement of a FAR Part 12 Commercial Item procurement is to incorporate customary terms and conditions in the resulting contract. This seminar addresses how to identify Commercial Business Practices and how to use them in the acquisition of commercial items under FAR Part 12. Key Part 12 clauses and provisions are compared to their noncommercial item counterparts to highlight the differences. The Uniform Commercial Code (UCC) is introduced as a valuable source of both commercial business and contracting practices.

2 Performance-Based Work Statements

Recent FAR initiatives in Performance-Based Contracting present opportunities to receive higher quality service for lower prices by providing suppliers with increased flexibility in the way they meet government requirements. This seminar focuses on using performance-based contracts and the important issues and steps leading to creation of the Performance Work Statement (PWS). The discussion includes application of market research, measurable performance standards, interfaces, and the proper use of incentives when creating the PWS along with several in-class discussion examples.

3 Applying CAIV to a Commerciality Decision

Making a FAR Part 12 Commerciality Decision often requires restating agency requirements to match products available on the commercial market. This seminar presents Cost as an Independent Variable (CAIV) technique as a key tool to accomplish the related trade-offs between performance, cost, schedule and risk which might be necessary to buy a commercial item. Proper adoption of principles associated with CAIV allows for maximum use of commercial items with substantial saving of time and money. The use of market research data in this process is an important included topic.

4 Acquisition Strategies for Commercial Items

A basic tenet of acquisition reform is the strong preference to meet agency needs with commercial items whenever possible. This seminar addresses developing and documenting streamlined acquisition strategies for buying commercial items. Participants are introduced to the essential elements required of a sound acquisition strategy and the tailoring that acquisition of commercial items requires. A template is used to lead integrated product teams through discussions of required commercial item acquisition strategy elements.

5 *Open Systems Concepts & Application to DoD Weapon Systems*

This seminar addresses the *Open Systems Approach (OSA)* to weapon systems design, one of the centerpieces of DoD acquisition reform. The seminar focuses on the OSA as an integrated technical and business strategy that defines key interfaces for a weapon system and facilitates the use of standards widely supported and used by commercial industry. It is an innovative way of doing business which allows program managers the flexibility to leverage the creativity and competitive pressures of the commercial marketplace to find less costly solutions for weapon systems. One of the objectives of the seminar is to highlight new techniques for designing weapon systems using an Open Systems Approach. A short exercise has been included in the seminar in which participants will select a standard interface for a system using the concepts and techniques taught in the seminar.

6 *TDP Conversion for MTS*

Modernization Through Spares (MTS) is an approach to taking advantage of funds used for repurchase of spares to improve the associated end item. This seminar introduces a performance based business approach to managing Technical Data Packages (TDP) in support of MTS initiatives. A methodology for selecting TDP candidates for conversion to MTS is presented. Use of market research data, trigger-based item management, and risk mitigation are included topics.

7 *Performance-Based Spares Procurement*

This seminar addresses the application of Performance Specifications and best value source selection techniques to reduce overall ownership and support costs of spares and items traditionally procured with "Build-to-Print" Technical Data Packages (TDPs). The technique of using Performance Specifications combined with "for information only" TDPs is presented. That approach gives the contractor more options and flexibility, which can translate into reduced cost, and/or improved reliability, maintainability and supportability.

8 *Streamlining Logistics Requirements in Solicitations*

This seminar introduces techniques to streamline logistics requirements in non-major programs. Take advantage of the benefits of FAR Part 12 commercial item procurements. An exercise is included which requires participants to use market research data in the revision of statements of work language for a FAR Part 12 commercial item solicitation.

Hermes vs. Athena: A Total Ownership Cost Simulation

This is a group problem solving exercise which focuses on controlling total ownership costs for a simulated mission area. Hermes is an aging fielded system which has been retained well beyond its expected service life. Athena is the state-of-the-art replacement for Hermes which incorporates emerging technology to provide an order of magnitude increase in capability. The group must analyze risks and benefits of trading off operations and support costs associated with Hermes in favor of development efforts to field Athena using total ownership cost as the controlling factor. The alternative they choose is subjected to a ten year simulation which measures likely success based on the inherent risks. Many different principles of acquisition and logistics reform are involved.



Defense Acquisition Reform Training Sessions (DARTS)

DARTS builds on the Acquisition Reform Training Modules (ARTMS) distributed by the Defense Acquisition University, to continue supporting the acquisition reform process. The DARTS are a series of training sessions based on changes to the Federal Acquisition Regulation (FAR) and other initiatives resulting from the Clinger-Cohen Act. DARTS are an integral part of the ARWK III CD and can be reached from its main menu.

Acquisition Reform Satellite Training Video Abstracts

Since 1996, the Department of Defense has conducted and sponsored activities and events to train the Acquisition workforce about how DoD is changing the way it acquires goods and services. Working with our industry partners and other federal agencies, we have conducted training programs through the use of satellite broadcasts. These broadcasts, designed for all acquisition workforce personnel, include educational videos and a panel of experts to respond to questions on the air. The following is a summary of the broadcast videos included in this package. Each video is accompanied by a guide that serves as a tool to facilitate training and discussion. For more information see: <http://www.acq.osd.mil/dau/arcc>.

Videos

Integrated Product Team

The IPT concept for oversight and review is intended to replace the current sequential process. The IPT concept brings together representatives from several disciplines at the very start of a project, allowing for early-on and continuous insight by all stakeholders in a program. This process helps to identify issues early on and reduces the probability of last minute major issues delaying a program. Team members are encouraged to work together in an atmosphere of trust and cooperation. This video introduces the new structure and its benefits.

Single Process Initiative

The goal of the single process initiative is to eliminate multiple processes, both manufacturing and business, thereby reducing product cost and government oversight. This allows DoD to get the most for dollars spent. This video addresses the process for the implementation of SPI within DoD programs and with industry, including the block change process and the organization and purpose of management councils.

Multiple Award Task and Delivery Order Contracts

Multiple award task and delivery order contracts provide flexible tools to acquire goods and services and the opportunity for the Government to take advantage of changes in the market place. This video discusses statutory preferences for using multiple awards, factors to determine when multiple awards are appropriate, and applicable streamlined procedures. Three current multiple award contracts are highlighted. Various issues are discussed such as basic acquisition planning, the role of the contracting officer, funding, socioeconomic considerations, writing the RFP/Statement of Work, source selection, and fair opportunity.

FAR Part 15 Rewrite

Contracting by Negotiation, FAR Part 15, procedures establish the framework for our business relationship with industry and are critical to obtaining best value goods and services. The new FAR Part 15 defines concepts and processes such as discussion, negotiations, and competitive range, and incorporates changes in pricing and unsolicited proposal policy. The video highlights how these new rules make fundamental changes to how we evaluate, negotiate, and make source selection decisions for negotiated procurements.

Market Research

Market research plays a vital role in the acquisition process. Effective market research provides valuable information regarding existing products, potential suppliers, desirable systems/technology, etc. The video consists of two classic films, "The Case of the Widget-Wheels" and the just-released remake of the film "The Big Track". These films compare and contrast the old and new ways of doing market research. The topics addressed include: What is market research? Why conduct market research? When do you do market research?

Performance-Based Contracting

Performance-based contracting means structuring all aspects of an acquisition around the purpose of the work to be performed, as well as establishing performance measures to ensure that the required quality levels are achieved. While not new, performance-based contracting has not been fully utilized when contracting for services. This video highlights the objectives and advantages of performance-based contracting.

Cost As an Independent Variable (CAIV)

Cost as an independent variable supports an acquisition strategy that focuses on cost-performance trade-offs in setting program goals so that the warfighter, the developer, and the supporter can arrive at an affordable balance between performance and schedule. These trade-offs enable us to make choices that provide the best performance from the system within available resources.

This video shows that the use of CAIV as a part of the acquisition strategy can lead to a substantial reduction in the cost of DoD products, shorter program cycle times, clearer and more innovative design, manufacturing, support, and contracting approaches, and quality products that fully meet the warfighter's needs.

Earned Value Management (EVM)

Earned value management (EVM) is a management technique that relates resource planning to schedules and to technical performance requirements. All work is planned, budgeted, and scheduled in time-phased “planned value” increments, constituting a performance measurement baseline. EVM is a valuable tool for identifying both performance trends and variances from the management plan. This video includes the history and evolution of EVM, case studies to show the effectiveness of EVM in several current programs, and how you can implement EVM in your programs.

Oral Presentations – The Verbal Challenge

Historically, written proposals were encouraged. Therefore, evaluations of proposals were tedious and time- and resource-consuming. The FAR Part 15 rewrite fundamentally changed contracting by negotiation by permitting a flexible framework for the source selection strategy/approach, evaluation of offerors, and the conduct of negotiations. This video is the first episode of **A-Corps** — a savvy, hard-nosed acquisition team— and centers around a “spoof” of police dramas in which the **A-Corps** hits the street to get the best value. Through this entertaining look, we will cover some of the changes to FAR Part 15 such as :

- 1) requirements definition
- 2) evaluating oral presentations
- 3) documenting oral presentations
- 4) discussions/negotiations
- 5) performance-based service contracting

Going Commercial: FAR Part 12 Meets FAR Part 15

FAR Part 12 allows the government to significantly streamline contract requirements when procuring goods or services sold in the commercial marketplace. FAR Part 15 outlines the process for negotiated source selection — regardless of the requirements chosen for the procurement.

This video centers around the second episode of the **A-Corps** — a “spoof” of everyone’s favorite police dramas. In this episode, our hard-hitting acquisition team tackles the procurement of a software upgrade for a major weapon systems. In this entertaining takeoff, we cover topics such as: 1) source evaluation and selection, 2) commercial items, 3) commercial practices, 4) market research, 5) past performance, and 6) competitive range determinations.

Past Performance

On November 20, 1997, the Under Secretary of Defense (Acquisition & Technology) signed the DoD policy on the collection and use of past performance information (PPI) as a discriminator among offerors during source selection. Since past performance information provides feedback about a contractor’s relevant performance history, past performance risk assessments balanced with proposal risk assessments are critical to obtaining best value goods and services.

This video features a “fractured fairy-tale” about the collection and use of PPI. A colorful cast of characters, including Lt. Col. Ella Cinder, Maj. P. Charming, and a fairy Godmother PM, lead us through topics such as: 1) revised thresholds for the collection of past performance information, 2) DoD Business Sectors, 3) business sectors assessment elements, and 4) use of past performance information. Relevancy of past performance for a particular acquisition, and evaluation methodologies are covered as part of the use of past performance information.

Contract Pricing: What’s the Right Price?

The changes in the Defense business environment over the past several years impact more than merely how systems are acquired. With increased emphasis on commercial acquisitions, we are moving more toward a price-based environment versus a cost-based environment. In the former, acquisition professionals need to understand commercial pricing methods and techniques. After decades of depending on cost data to assist in making award determinations, the Government’s acquisition community will need to understand commercial pricing methods and techniques. We must now implement methods and utilize tools to conduct price analysis instead of requesting detailed cost information.

The video highlights commercial pricing issues through a “spoof” of everyone’s favorite game shows.

Topics include:

- 1) Commercial Pricing Practices
- 2) Use of Market Research Information
- 3) Historical Pricing Techniques
- 4) Comparative Pricing Techniques
- 5) Parametric Pricing Methodology

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**BRTRC Technology Research Corporation
Willow Oaks Corporate Drive, Suite 800
Fairfax, VA 22031
(703) 204-9277 Fax (703) 204-9447**

